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The United States Supreme Court

October Term, 1993

RESULTS, INC.

versus

LAVALCO, INC.

Petition for Writ of Certiorari to the United States Court of Appeal for the Fifth Circuit

Petition for Writ of Certiorari

Submitted on behalf of Relator, Results, Inc. by

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52 pp

Questions Presented for Review

1. Should the defendant in a computer program copyright case be allowed to withhold production of the programs which are alleged to be infringing? Is not, should the Court of Appeal have affirmed the District Court's refusal to order the production of the programs used by Defendant on its computer for a comparison with Plaintiff's copyrighted programs in this copyright infringement case?

2. Should a plaintiff in a copyright infringement case be awarded statutory damages and attorney's fees when the infringement is admitted at trial? If so, should the Court of Appeal have affirmed the District Court's failure to award damages for defendant's admitted infringement of Plaintiff's copyrighted computer programs?

List of All Parties to Proceeding

Relators:

Results, Inc.	Plaintiff - Defendant in cross claim
Keith Grill	Shareholder and president of plaintiff, and defendant in cross claim
Brad Kimbrell	Shareholder of plaintiff

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Respondents:

Lavalco, Inc.	Defendant - Plaintiff in cross claim
Larry Yago	President and shareholder of defendant

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Table of Contents

Questions Presented for Review	i
List of All Parties to Proceeding	ii
Table of Authorities	iv
Statement of Jurisdiction	v
Statutes and Regulations Relied on	vii
Statement of the Case	1
Basis of Federal Jurisdiction	1
Background	1
Procedural History	6
Argument on Question 1	8
Argument on Question 2	15
Memorandum Ruling from District Court	Appendix 1
Judgment of District Court	Appendix 15
Decision of Court of Appeal	Appendix 16

Table of Authorities

Jurisprudence

Ashton-Tate Corp. v. Ross, 916 F.2d 516 (9th Cir. 1990) 18

Brown Bag Software v. Symantec Corp., 960 F.2d 1465 (9th Cir. 1992) 14

Childress v. Taylor, 945 F.2d 500, 508 (2nd Cir. 1991) 18

Corsearch v. Thompson & Thompson, 792 F.Supp 305 (S.D.N.Y. 1992) 14

Dunn v. Midwestern Indemnity, 88 FRD 191, 30 Fed Rules Serv. 539 (S.D. Ohio, 1980) 11

The Gates Rubber Company, Inc. v. Bando American, Inc., et al., 1992 U.S. App. LEXIS 9314, C.A. No. 92-3-136, (D.C. Colo.) 14

Gilliam v. American Broadcasting Companies, Inc., 538 F.2d 14 (2d Cir. 1976) 19

Johnson Controls v. Phoenix Control Systems, 886 F.2d 1173 (9th Cir.1989) 14

MacMillan Co. v. King, 223 F. 862 (D.C. Mass. 1914) 23

Pearl Brewing Co. v. Joseph Schlitz Brewing Co., 415 F.Supp. 1122, 1976-2 CCH Trade Cases ¶ 61169, 2i Fed Rules Serv. 979 (S.D. Tex. 1976) 11

S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081 (9th Cir. 1989) 23

Weissman v. Freeman, 868 F.2d 1313 (2nd Cir. 1989) 14

Statutory Authority

Title 17, USC, § 101, *et. seq* 1

17 U.S.C. § 410(c). 17

Rule 34, Federal Rules of Civil Procedure 9

Regulations

37 CFR 202.20 15

Statement of Jurisdiction

This is a petition for writs of certiorari to review the decision of a court of appeals, rendered March 9, 1994. No party requested a rehearing. Jurisdiction is based on 28 U.S.C. § 1254(1)

Statutes, Regulations and Ordinances Involved in the Case

CITE: 17 USC Sec. 106

Sec. 106. Exclusive rights in copyrighted works

-STATUTE-

Subject to sections 107 through 120, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;

(2) to prepare derivative works based upon the copyrighted work;

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly.

CITE: 17 USC Sec. 117

Sec. 117. Limitations on exclusive rights: Computer programs

-STATUTE-

Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided:

(1) that such new a copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or

(2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful.

Any exact copies prepared in accordance with the provisions of this section may be leased, sold, or otherwise transferred, along with the copy from which such copies were prepared, only as part of the lease, sale, or other transfer of all rights in the program. Adaptations so prepared may be transferred only with the authorization of the copyright owner.

CITE: 17 USC § 410

Sec. 410. Registration of claim and issuance of certificate

(a) When, after examination, the Register of Copyrights determines that, in accordance with the provisions of this title, the material deposited constitutes copyrightable subject matter and that the other legal and formal requirements of this title have been met, the Register shall register the claim and issue to the applicant a certificate of registration under the seal of the Copyright Office. The certificate shall contain the information given in the application, together with the number and effective date of the registration.

(b) In any case in which the Register of Copyrights determines that, in accordance with the provisions of this title, the material deposited does not constitute copyrightable subject matter or that the claim is invalid for any other reason, the Register shall refuse registration and shall notify the applicant in writing of the reasons for such refusal.

(c) In any judicial proceedings the certificate of a registration made before or within five years after first publication of the work

shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate. The evidentiary weight to be accorded the certificate of a registration made thereafter shall be within the discretion of the court.

(d) The effective date of a copyright registration is the day on which an application, deposit, and fee, which are later determined by the Register of Copyrights or by a court of competent jurisdiction to be acceptable for registration, have all been received in the Copyright Office.

CITE: Rule 34, Federal Rules of Civil Procedure

Rule 34. Production of Documents and Things and Entry Upon Land for Inspection and Other Purposes.

(a) Scope. Any party may serve on any other party a request (1) to produce and permit the party making the request, or someone acting on the requestor's behalf, to inspect and copy, any designated documents including writings, drawings, graphs, charts, photographic, phonorecords, and other data compilations from which information can be obtained, translated, if necessary by the respondent through detection devices into reasonably usable form, or to inspect and copy, test, or sample any tangible things which constitute or contain matters within the scope of Rule 26(b) and which are in the possession, custody or control of the party upon whom the request is served; or (2) to permit entry upon designated land or other property in the possession or control of the party upon whom the request is served for the purpose of inspection and measuring, surveying, photographing, testing, or sampling the property or any designated object or operation thereon, within the scope of Rule 26(b).

(b) Procedure. The request may, without leave of court, be served upon the plaintiff after commencement of the action and upon any other party with or after service of the summons and complaint upon that party. The request shall set forth the items to be inspected either by individual item or by category, and describe each item and category with reasonable particularity. The request shall specify a reasonable time, place, and manner of making the inspection and

performing the related acts. The party upon whom the request is served shall serve a written response within 30 days after the service of the request, except that a defendant may serve a response within 45 days after service of the summons and complaint upon the defendant. The court may allow a shorter or longer time. The response shall state, with respect to each item or category, that inspection and related activities will be permitted as requested, unless the request is objected to, in which event the reasons for objections or other failure to respond to the request or any part thereof, or any failure to permit inspection as requested. A party who produces documents for inspection shall produce them as they are kept in the usual course of or shall organize and label them to correspond with the categories in the request.

(c) Persons Not Parties. This rule does not preclude an independent action against a person not a party for production of documents and things and permission to enter upon land.

Statement of the Case

A. BASIS OF FEDERAL JURISDICTION IN DISTRICT COURT

This is a claim for copyright infringement, based on Title 17, USC, § 101, *et. seq.* As such it involves a federal question. Jurisdiction is additionally granted by Title 28 USC §§ 1331 and 1338.

B. BACKGROUND

Relator, Results, Inc., is a small programming house located in Bossier City, Louisiana. It was incorporated in 1982 and began a relationship with Defendant, Lavalco, shortly thereafter. Plaintiff's business consists of providing custom software to business end users. Most of its custom software is based on the "Pick" operating system. It produces applications and customizes existing applications in this system.

There are at least four levels of languages in which computer programs may be written. High level languages include the third and fourth levels. Third level languages, such as BASIC and FORTRAN, use English words and symbols, such as "GO TO", and "IF THEN". Fourth level languages are not really languages at all, but are sometimes referred to that way (especially in some legal opinions). These are a series of commands which operate on another program written in a third level language. An example of this type of program is a complex macro or program which operates on WordPerfect or Lotus 1-2-3. Languages in the second level are generally referred to as "Assembly Language". These languages are more cryptic than the higher levels and contain such terms as "ADC" which means "add with carry". Some programmers, but not many, are able to read these languages directly. Generally speaking, computers cannot understand any of these higher level languages. They only understand "machine language", a binary language, which uses a series of 0's and 1's to open or close switches.

Programmers generally program in the higher levels. These programs are known as "source code". Another program, either a compiler or an interpreter, converts this source code into machine language or "object code". A compiler converts the whole higher language program into object code at once, and in essence makes a separate copy of the program in machine language. An interpreter, on the other hand, converts the code line by line as it is used by the computer.

As a general rule, what the consumer of off-the-shelf software such as Word Perfect or Lotus 1-2-3 gets for his purchase dollar is a license to use the compiled version or "object code" version of the program. It is not necessary for the user to have or even be aware of the source code. End user programs such as WordPerfect or Lotus 1-2-3 are called "applications programs". That is, they are designed to make the computer perform a specific application, such as word processing or data base management.

Another term used in computer languages is "operating system". This is a computer language which is at the heart of the computer, and tells it what to do. All other computer languages must interface with this operating system in order to operate with the computer hardware. Examples of operating systems are "MS-DOS", "UNIX" and "Pick".

The Pick operating system directly controls the computer hardware and is designed from the ground up to act as a database, rather than as a general operating system. In that respect, then, it has aspects of both an operating system and an applications program.

The Pick program comes with some data base structures already programmed into it. However, these structures are generally not usable by the end user of computer software products. Therefore, computer programmers are needed to streamline the software applications and write "front ends" or "user interfaces" which allow computer operators to do specific tasks.

There are several commercially available applications programs which run on Pick. These can be purchased by software houses and then customized to perform specific tasks for end users. Examples of these products are programs which perform inventory control, accounts payable, accounts receivable, and general ledger functions. But, as a general rule, these programs must be customized by a programmer to be of any use to a specific business. That programmer must have access to the source code in order to perform the custom programming.

BOSS (Business Oriented Software System) was a commercially available software package designed to operate on the Pick system. It was developed by San Diego Computer Systems. It provided a "shell" program, operating in Pick, which could be customized to do specific tasks for business. Examples of these tasks include inventory control and accounts receivable.

Although the BOSS program is referred to as "a" program, it is actually made up of many modules or programs. Each of these smaller programs does a specific job, and is called by the master program when it is needed to perform that specific task. The BOSS program was not designed for sale to end users; it was distributed to custom software developers such as Plaintiff.

Results' first customer was the defendant, Lavalco. Both of the principals of Results had worked as programmers for Delta Data, who previously had the contract to develop custom software for Lavalco. Lavalco had purchased four modules of the BOSS system (general ledger, payroll, accounts payable and accounts receivable) from Delta Data and had a license to modify or customize it for its own use. From the beginning, the Results programmers were working on additional programs, and additional modules to accomplish such tasks as inventory control and sales order information.

The relationship between the parties continued from late 1982 through February, 1989. It started out very friendly, congenial, and "family-like". It ended on a very bitter note.

From the beginning of the relationship, the Results programmers placed copyright notices on all programs written or modified by them. There was never any complaint about that practice, although the practice was well known by Lavalco.

In 1987, Lavalco hired Dean Anderson as its management information systems (MIS) director. From that moment on, the relationship between the parties began to sour.

In the beginning, Results did not own its own computer, and did all its work on Lavalco's computer. It even had its offices on Lavalco's premises. It stored all its programs (even those it wrote for other customers) on Lavalco's computer. Lavalco received value for the use of its computer and the provision of office space. Results charged fees that were one-half of the fees which had been charged by Delta Data.

As Results began to succeed, it purchased its own office and its own computer. The Results programmers continued to leave their source code on the Lavalco computers, to which they were hooked by a modem. Results' modem access to Lavalco's computer was gradually restricted until February, 1989, when it was terminated.

In the meantime, Mr. Anderson was getting the MIS department up to speed. With the help of Results, Lavalco hired and trained programmers to work in the Pick system. At the time of modem disconnect, there were two programmers on staff.

After the relationship between the parties disintegrated, Results demanded the return of its copyrighted source code. Lavalco refused. In at least two letters, Lavalco or its lawyers wrote to one of the principals and stated that the software then in use at Lavalco had been modified to the extent that it no longer bore much resemblance to the software left there by Results.

Lavalco purchased two new computer systems in early 1992. The software which is the subject of this litigation would not run on

either of the new systems. Therefore, Lavalco made extensive modifications to the software in February and March of 1992 so that it could be used on the new systems.

C. PROCEDURAL HISTORY

Results, Inc. ("Results" or "Relator") filed this action against Lavalco, Inc. ("Lavalco" or "Respondent") on March 28, 1991, asserting causes of action for copyright infringement, breach of contract, unfair competition and misappropriation of trade secrets.

The gravamen of Results' copyright claim is that Results, as the owner of the copyright in and to the programs in question, has the sole and exclusive right to modify these programs. The defendant's continued possession of Results' source code, and its admitted modifications and alterations of that source code infringe Relator's copyrights.

Lavalco filed an answer and counterclaim seeking a declaratory judgment recognizing Lavalco's alleged ownership of pertinent copyrighted material, an accounting for and percentage of any profits generated by Results from the past and future use and/or marketing of the copyrighted material, attorney's fees and damages for alleged Lanham Act violations by Results, (15 U.S.C. Section 1125(a)), damages and attorney's fees for Results' alleged misappropriation of trade secrets, and the return of trade secrets allegedly possessed by Results.

Results requested production of the modified computer programs existing in the Lavalco system on June 7, 1991, to allow a determination of the extent of the infringement.

Lavalco refused to produce the software on July 8, 1991.

Lavalco filed a motion for summary judgment on January 30, 1992, seeking summary judgment on the grounds that (1) Results was without standing to sue Lavalco, (2) Results' trade secret action was preempted by the Copyright Act, (3) Lavalco did not misappropriate Results' trade secrets, and (4) Results' recovery is limited to

actual damages.

On February 10, 1992, Results filed a motion to compel production of the modified computer programs.

On March 6, 1992, Magistrate Roy S. Payne denied Results' motion to compel on the basis that the discovery sought was not relevant to the issues raised in the motion for summary judgment. The ruling provided for Results' right to re-urge the motion to compel if the motion for summary judgment was denied.

Counsel for Results did not receive notice of the magistrate's order until March 16, 1992, by which time the delays for appeal of the ruling had lapsed.

The discovery cutoff date was March 19, 1992.

On May 29, 1992, Magistrate Roy S. Payne granted Lavalco's motion for summary judgment, dismissing Results' claims for punitive damages and those brought under state trade secret law. Judge Tom Stagg concurred on September 23, 1992.

On August 10, 1992, counsel for Results orally reurged the motion to compel at a status conference.

On August 26, 1992, Lavalco filed a motion for entry of an order denying Results' oral motion to reurge the motion to compel. Magistrate Roy S. Payne granted Lavalco's motion on August 27, 1992, and denied the oral motion to reurge the motion to compel.

On September 2, 1992, Results filed an objection to the magistrate's ruling. On September 24, 1992, Judge Tom Stagg entered an order concurring with the magistrate's ruling denying plaintiff access to defendants computer programs.

This matter was tried before Judge Tom Stagg on October 26 through October 28, 1992.

The Court issued a memorandum ruling dated January 19, 1993, and rendered judgment on January 28, 1993, rejecting the claims of Results at its costs and the counterclaims of Lavalco at its costs.

Results filed a motion for new trial on February 11, 1993.

The Court denied the motion on April 5, 1993.

Results filed a timely notice of appeal on April 12, 1993.

The Court of Appeal affirmed in a per curiam opinion dated March 9, 1994.

Argument

1. **Should the defendant in a computer program copyright case be allowed to withhold production of the programs which are alleged to be infringing? Is not, should the Court of Appeal have affirmed the District Court's refusal to order the production of the programs used by Defendant on its computer for a comparison with Plaintiff's copyrighted programs in this copyright infringement case?**

In the beginning of the relationship between the parties, plaintiff was a startup company and could not afford its own computer. [Testimony of Arnold Lincove, Vol. I p. 174, l. 25 - p. 175 l. 4]. Defendant allowed plaintiff to use its (defendant's) office space and computer for all its programming needs. [Testimony of Keith Grill, Vol. II p. 95 ll. 4-19]. Therefore, Results' source code to programs which were to be used by defendant, as well as those which had no application to defendant's business, resided on Defendant's computer. For the use of its computer and office space, Respondent received a reduction in the hourly billing rate charged by Relator for programming services. [Testimony of Keith Grill, Vol. II p. 95 ll. 4-19]. Eventually, with the help of defendant, plaintiff was able to purchase its own, smaller, computer. It then did most of the programming of defendant's computer by use of a modem over telephone lines, but the source code remained on Defendant's computer for the convenience of Plaintiff's programmers. [Pretrial order, Stipulation 1]

This relationship continued from mid 1982 until February 7, 1989, when defendant, without any advance warning, disconnected the modem and denied plaintiff's personnel any further access to its own copyrighted programs. [Testimony of Jim Brown, Vol. I pp. 155-156 ll. 18-8, Testimony of Dean Anderson, Vol. I p. 78 ll. 17-22].

This action was initiated on March 28, 1991. Plaintiff's original complaint sought damages for copyright infringement and trade secret theft, and an injunction enjoining defendant from infringing its copyright or using or disseminating plaintiff's trade secrets.

Defendant responded by filing a motion for extension of time and an application for a protective order. The protective order sought by defendant was granted without opposition. Its provisions dictate the procedures to be used to designate as confidential any matter sought in discovery.

Defendant also filed a notice of deposition, and had it served on Keith Grill, president of plaintiff. It was accompanied by a subpoena duces tecum, ordering the production of a volume of material. Plaintiff complied with the subpoena duces tecum and voluntarily produced all items sought, including a computer tape of the programs in question. When Defendant refused to produce a tape of the computer programs it was then using, Plaintiff filed a motion to compel its production. The trial court denied the motion.

Rule 34, Federal Rules of Civil Procedure provides:

> **Rule 34. Production of Documents and Things and Entry Upon Land for Inspection and Other Purposes.**
> (a) Scope. Any party may serve on any other party a request (1) to produce and permit the party making the request, or someone acting on the requestor's behalf, to inspect and copy, any designated documents including writings, drawings, graphs, charts, photographic, phonorecords, and other data compilations from which information can be obtained, translated, if necessary by the respondent through detection devices into reasonably usable form, or to inspect and copy, test, or sample any tangible things which constitute or

contain matters within the scope of Rule 26(b) and which are in the possession, custody or control of the party upon whom the request is served; or (2) to permit entry upon designated land or other property in the possession or control of the party upon whom the request is served for the purpose of inspection and measuring, surveying, photographing, testing, or sampling the property or any designated object or operation thereon, within the scope of Rule 26(b).

(b) Procedure. The request may, without leave of court, be served upon the plaintiff after commencement of the action and upon any other party with or after service of the summons and complaint upon that party. The request shall set forth the items to be inspected either by individual item or by category, and describe each item and category with reasonable particularity. The request shall specify a reasonable time, place, and manner of making the inspection and performing the related acts. The party upon whom the request is served shall serve a written response within 30 days after the service of the request, except that a defendant may serve a response within 45 days after service of the summons and complaint upon the defendant. The court may allow a shorter or longer time. The response shall state, with respect to each item or category, that inspection and related activities will be permitted as requested, unless the request is objected to, in which event the reasons for objections or other failure to respond to the request or any part thereof, or any failure to permit inspection as requested. A party who produces documents for inspection shall produce them as they are kept in the

> usual course of or shall organize and label them to correspond with the categories in the request.
> (c) Persons Not Parties. This rule does not preclude an independent action against a person not a party for production of documents and things and permission to enter upon land.

The rule's specific reference to data compilations was added in 1970 to bring the federal Rules into the computer age. Pearl Brewing Co. v. Joseph Schlitz Brewing Co., 415 F. Supp 1122, 1976-2 CCH Trade Cases ¶ 61169, 21 Fed Rules Serv. 979 (S.D. Tex. 1976) As a result of the 1970 amendment, there is no doubt that electronically stored information is clearly discoverable as long as it otherwise meets the relevancy standards prescribed by the discovery rules. Dunn v. Midwestern Indemnity, 88 FRD 191, 30 Fed Rules Serv. 539 (S.D. Ohio, 1980).

Since the computer programs in question are at the heart of this litigation, they most certainly cannot fail the test of relevance. Therefore, they should have been produced unless defendant had some other ground upon which to resist their production. Defendant did not object to the production, but did respond to request number eight with the following curious statement:

> To the extent that the information requested is not objectionable, Lavalco will make the information available for inspection at its offices at a mutually convenient date and time.

Rule 34 requires that when an objection is made, the reasons for it must be stated. A litigant cannot simply state an objection without giving its reasons therefor. If this response can properly be designated as an objection, no

reasons were given. Therefore, Lavalco did not timely object to the requests, and should have been ordered to produce the requested items.

Alternatively, if the Court considers one or more of the writings of defendant to state objections, they are not valid. The only possibility of a valid objection is on the grounds of confidentiality. Yet it was Defendant who, at the outset of this litigation, asked for and received a protective order to protect any confidential or proprietary information which was to be divulged or produced during the course of this litigation. Defendant has not contended that only plaintiff was to be bound by the order. To do so would be ludicrous. Can it seriously contend that it sought the protective order only to protect its opponent's secrets and not its own?

Plaintiff produced the items sought by defendant when its president was deposed. Among the items produced was a tape of the programs in question in their current form. This form contains many modifications and enhancements made to the software since February 8, 1989. None of these enhancements should be on defendant's computer. But plaintiff cannot overlook the fact that Defendant, who has already taken property of plaintiff, has had the unfettered use of even more of plaintiff's copyrighted material during this litigation. Plaintiff is entitled to see, not only what software was on the defendant's computer at the onset of this litigation, but at the time of trial. The Court should have ordered compliance with this request for production.

Apparently the Court misconstrued the request as one for *data* rather than for the programs. The distinction is that the programs themselves contain none of the business records or trade secrets of Defendant. The Court's ruling indicates that it thought Plaintiff was seeking all of Defendant's data stored on its computers. "Defendant should not be required to reveal its sensitive computer programs until plaintiff has

shown a need for them." (Magistrate's ruling at page 514 of the record)

The motion to compel was orally reurged at a status conference held on August 11, 1992 and was again denied. At the trial, the Court's confusion about what was requested was highlighted by the following remarks of Judge Stagg:

THE COURT: Mr. Allison, Mr. Hornsby, I wish I could say a [pox] on both of your [houses]. What we're talking about had to do with a failure properly to discover. And I went during the break and looked in the stack of records there, those four volumes that Mr. Terry has, and in there is your motion to compel the tape filed on February the 10th. And I went to read the magistrate's ruling on that, and it seems I agree with what he ruled. You are asking for the atom bomb first.

180

The tape of Lavalco's entire business, instead of pursuing -- just a minute. It's my turn.

Instead of pursuing discovery by some

4 other means after the motion was denied on March

5 the 6th between, I think discovery cut-off was

6 March 27th.

[Transcript, Vol II, pp. 179-180]

Plaintiff did not seek a tape of "Lavalco's entire business". It sought current copies of the programs in question. There was simply no way to prove (or disprove, for that matter) copyright infringement without a line by line comparison of the original programs and those then in use by Lavalco. Plaintiff should have been allowed to discover the programs then being used by Lavalco. The denial of that production denied Plaintiff a meaningful trial.

It is elemental that in a copyright infringement case, the successful plaintiff must demonstrate that the allegedly infringing work is actualy infringing. That can only be done by a comparison of the copyrighted work to that which is allegedly infringing. When the other work is not available to the plaintiff, it is impossible for the plaintiff to prove the copyright infringement. In other words, the district court, in effect, told relator that it could not examine the programs in use by Respondent, but that if was to prevail in its case, it must show by comparison with the original that Respondent's programs are infringing.

The ruling of the district court was plainly wrong, and the Court of Appeal committed reversible error in affirming it.

2. **Should a plaintiff in a copyright infirngement case be awarded statutory damages and attorney's fees when post registration infringement is admitted at trial? If so, should the Court of Appeal have affirmed the District Court's failure to award damages for defendant's admitted infringement of Plaintiff's copyrighted computer programs?**

Plaintiff, Results, Inc., claims ownership of eleven copyrights. These copyrights are represented by certificates of registration issued by the copyright office. Each copyright certificate covers several programs which make up individual modules of the "PVF Distribution System". There are separate registrations which cover the accounts payable, accounts receivable, inventory, excess materials acquisition, general ledger and other modules. Each of the modules is capable of performing its specific task (i.e. accounts payable) separately, but the whole system was designed to run together. [Testimony of Keith Grill, Vol. II p. 170 ll.11-19].

The issuance of the certificates creates a rebuttable presumption that the copyrights are valid. 17 U.S.C. § 410(c). This presumption extends to all of the prerequisites for the issuance of a copyright certificate, including copyrightability, .Weissman v. Freeman, 868 F.2d 1313 (2nd Cir. 1989); Corsearch v. Thompson & Thompson, 792 F.Supp 305 (S.D.N.Y. 1992); originality, Brown Bag Software v. Symantec Corp., 960 F.2d 1465 (9th Cir. 1992); compliance with statutory requirements, The Gates Rubber Company, Inc. v. Bando American, Inc., et al., 1992 U.S. App. LEXIS 9314, C.A. No. 92-3-136, (D.C. Colo.), and ownership, Johnson Controls v. Phoenix Control Systems, 886 F.2d 1173 (9th Cir.1989).

Once the right to the presumption is established, as it has been in this case, the burden shifts to the defendant to prove that the copyrights are not valid, or that they are owned by someone other than the registrant.

Lavalco, not Results, carries the burden of proof in this matter. Results asserted in its complaint and litigated at trial the infringement of eleven copyright registrations. At trial, Results presented a certificate of copyright registration for each of the eleven copyright certificates at issue. The certificates of copyright registration are presumed by law to be valid until Lavalco proves otherwise. Lavalco has not proven the invalidity of the copyright registrations.

The applications for copyright registration were submitted to the copyright office in accordance with 37 CFR 202.20 and obviously complied with federal regulations as is evidenced by the issuance of each certificate. The trial court erred in its conclusion to the contrary.

The district court ruled that:

> Should Results have proven ownership and copying by Lavalco, this court finds that any modifications which may have been considered as infringing upon Results' copyrights were made within the scope of Lavalco's license to modify these programs. It is undisputed that Lavalco had the right to modify for its own use the software purchased from Tri-State and Delta Data. Keith Grill testified that he performed the same work at Lavalco as he did as an employee of Delta Data, with the exception being that he was not subject, per se, to the supervision of Delta Data. All evidence supports a finding that the only changes in Keith Grill's working arrangement with Lavalco were those three terms specifically discussed, i.e., that Results would receive $17.50 per hour for programming services; that Results would be provided with office space on Lavalco's premises; and that Results would receive extra time on Lavalco's

> computer system in order to perform programming for other clients. All parties agreed that, prior to November 1982, all work performed by Keith Grill for Delta Data to Lavalco's programs could be modified by Lavalco. Results argues that all work performed after November 1982 by Mr. Grill for Results could not be modified by Lavalco. There is no evidence supporting a change in the scope of Lavalco's license to modify; in fact, all evidence is to the contrary. Mr. Grill testified that he continued to place source code on Lavalco's computers, that he instructed Lavalco's employees to make minor modifications to the programs and that he was aware that Lavalco modified the source code on the program of Lavalco's system. The court finds that the scope of Lavalco's license included the right to modify for their own use, programs placed or modified by Results on Lavalco's computer.

Memorandum Ruling, pp. 16-17 (Appendix pp. 12-13)

The court was aware of the testimony to the effect that Lavalco purchased the original programs from Delta Data, and that it had a license *from Delta Data*, to modify or customize the software. However, there was not one scintilla of evidence ethat there was anything about the contractual arrangements between the parties to this litigation which would indicate that Results granted the same kind of license to Lavalco as Lavalco had purchased from Delta Data.

The officers at Lavalco who were responsible for the contractual arrangements between it and Delta Data and between it and Reuslts all testified that they were not interested in any kind of licensing or ownership of the completed software. All they wanted was software that

worked.

It was also clear that the officers of Lavalco knew that the principals of Results were motivated to start their enterprise by a desire to own the product of their work.

The defense that the Court apparently found, that Results had granted a license to Lavalco, was not pled, was not proved and indeed did not happen.

The defense relied on by Lavalco at trial was that it was a co-author of the software, or a partner in a joint venture which produced the software. However, Lavalco presented no evidence upon which to base these defenses.

As has been previously pointed out, once the copyright certificates were introduced into evidence, their validity and authenticity were presumed. It was then left to the defendant to prove the invalidity of the copyrights.

The first "proof" of the invalidity is an unsubstantiated claim of co-authorship. To prove co-authorship, one must show that each author has made a contribution which is independently copyrightable, Ashton-Tate Corp. v. Ross, 916 F.2d 516 (9th Cir. 1990); and that each author *intended* his or her work to be included in a work of joint authorship, Childress v. Taylor, 945 F.2d 500, 508 (2nd Cir. 1991)

The "proof" of the coauthorship claim in this case fell well short of the mark. The Respondent proved that one of its programmers wrote approximately seventeen lines of code (and no more) for an input routine which is called by several modules of the system. There was no other proof to substantiate a coauthorship claim. There was no evidence offered which would establish that this contribution was independently copyrightable.

There is no evidence in this case that the parties

intended the co-authorship of the works in question. However, there is substantial evidence to the contrary. First, Results manifested its intention of exclusive ownership of the programs or modifications by placing its exclusive copyright notice on the programs. The manifestation of exclusivity and reservation of rights is inconsistent with an intent to co-author. Gilliam v. American Broadcasting Companies, Inc., 538 F.2d 14 (2d Cir. 1976).

Keith Grill and Brad Kimbrell of Results testified that they never intended that their work merge with that of Lavalco programmers to form a unitary whole. [Testimony of Keith Grill, Vol. II p. 104 ll. 4-12, Testimony of Brad Kimbrell, Vol. II p. 61 ll. 9-12] Patti Bell, a former employee of Lavalco, made no major modifications to the Results' copyrighted programs. [Testimony of Patti Bell, Vol. I p. 103 ll. 1-18] She did make some slight changes to the Results' copyrighted programs, but only with the permission of someone at Results. [Testimony of Patti Bell, Vol. I p. 101 ll. 1-12] She wrote programs for Lavalco, but none of those have the Results' copyright notice on them. [Testimony of Patti Bell, Vol. I p. 102 ll. 10-25] She did not participate in the creative process of writing any of the computer code that carries a Results' copyright notice. [Testimony of Keith Grill, Vol. II p. 102 ll. 9-14], and did not intend that her work merge with that of the Results' programmers to result in the joint authorship of Results' copyrighted programs. [Testimony of Patti Bell, Vol. I p. 114 ll. 11-15].

Sandra Powell was a data entry or accounts receivable clerk at Lavalco [Testimony of Sandra Powell, Vol. III p. 171 ll. 13-15] who was promoted to programmer. [Testimony of Sandra Powell, Vol. III p. 172 ll. 18-20] Although she was a programmer, Sandra Powell never participated in the creative process of writing computer code prior to the termination of the relationship between Lavalco and Results. [Testimony of Sandra Powell, Vol. III p. 182 ll. 8-14].

Therefore, Jim Brown is the only possible co-author remaining. Lavalco established that Jim Brown contributed only seventeen lines of code[1] to the programs in question. (Lavalco Exhibit 54.) Lavalco did not establish that Mr. Brown's contribution was independently copyrightable or that he intended for that contribution to result in a co-authorship of the works.

The second "proof" of the invalidity of the copyrights consists of a claim that the parties were partners in a joint venture to produce the software. Although there was some evidence which could be viewed as supporting such a claim, on full examination, it also falls very short of the mark.

No partnership existed between Results and Lavalco for two reasons. First, the parties did not agree to share mutually in the profits and losses of the business. Results offered to share any profits earned as a result of marketing the software in question with Lavalco in exchange for assistance in the marketing of the software, including Results' use of the Lavalco computer and facility as a demonstration site of its software for potential purchasers. [Testimony of Brad Kimbrell, Vol. II p. 47 ll. 6-12, Testimony of Keith Grill, Vol. II p. 96 ll. 16-24]. Results twice attempted to formalize an agreement with Lavalco and was twice refused. [Testimony of Brad Kimbrell, Vol. II p. 48 ll. 13-16, Testimony of Keith Grill, Vol. III p. p. 31 ll. 9-25]. The parties never agreed to share mutually the profits and losses incidental to the marketing of the software. In fact, Lavalco executives testified that a primary reason for rejecting the Results' proposals was the inclusion in the proposals of a provision regarding joint liability of the parties. [Testimony of Frank Fraccastoro, Vol. I p. 48-49 ll. 16-7, Testimony of Larry Yago, Vol. III p. 15 ll. 22-25]. Clearly, Lavalco did

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[1] The copyrighted material consists of approxmatley 900 different modules, each containing from 100 to over 1,000 lines of code.

not contemplate a mutual sharing of the losses incurred in marketing the software with Results.

Second, the two proposals submitted to Lavalco by Results were written proposals. Results personnel considered it imperative that the agreement be captured in written form. In 1988, Lavalco submitted a written proposal to Results. The Lavalco proposal was rejected by Results. No written agreement was ever executed by the parties, though circumstances indicate that both parties contemplated that any agreement would be reduced to written form. Therefore, absent the execution of the agreement in written form, as was obviously contemplated by the parties, the parties are not bound to any alleged implicit agreement.

Again, no agreement existed between the parties for the sharing of revenues generated by marketing the software. Results twice proposed an agreement for the sharing of proceeds and was twice refused. [Testimony of Brad Kimbrell, Vol. II p. 48 ll. 13-16, Testimony of Keith Grill, Vol. II p. 31 ll. 14-25] The only evidence which even tends to support such a theory is that concerning the payment of $1250 by Results to Lavalco.

The payment of $1250 was offered by Results to Lavalco as an incentive to negotiate an agreement to share proceeds in exchange for Lavalco's marketing assistance and for the use of its computer as a demonstration site. [Testimony of Brad Kimbrell, Vol. II p. 48 ll. 13-16] Quite obviously, the payment was not made pursuant to an existing agreement. Brad Kimbrell testified that other sales were made during the relationship but that Results did not share the proceeds. [Testimony of Brad Kimbrell, Vol. II p. 48 ll. 6-11]. Certainly had an agreement existed, Lavalco would have protested Results failure to share additional proceeds.

Also, Results proposed, in the context of ongoing negotiations with Lavalco, to restrict its marketing of a

narrow selection of programs it developed. [Testimony of Keith Grill, Vol. II p. 228-229, ll. 16-5, p. 229-230 ll. 25-8] The proposal was never accepted.

Results submitted written proposals to Lavalco in hopes of creating a relationship between the parties. It made a token payment to Lavalco with those same hopes. These gestures were not to solidify an implicit agreement as no such informal agreement existed.

Brad Kimbrell testified that the parties intended that Results retain the ownership of the software and that Results' proposed agreement to share proceeds was never executed by the parties. [Testimony of Brad Kimbrell, Vol. II p. 46-47 ll. 21-5, p. 47-48 ll. 6-16].

In summary, no partnership existed between the parties because, (1) Lavalco refused to incur potential losses as is required by the law of partnership and, (2) an agreement was not reduced to writing as was contemplated by the parties.

The Court was clearly wrong in its holding. First, it is clear that the invalidity of the copyright certificates was never established. Second, it is clear that Respondent admitted infringement. This infringement is of two varieties. First, as Plaintiff's exhibit 17 shows, Respondent admitted that the programs had been modified. These modificatins were apparently begun *before* registration. When an infringement is commenced prior to copyright registration, the copyright holder is not entitled to statutory damages or attorney's fees.

The proof in this case also established a new infringement which commenced *after* the copyrights were registered. Dean Anderson testified that the software included in the pertinent copyright registrations currently resides on the Lavalco computers. [Testimony of Dean Anderson, Vol. III,

pp. 220-222]. Jim Brown testified that the source code copyrighted by Results remains on the Lavalco computers to date. [Testimony of Jim Brown, Vol. I p. 164-165 11. 15-6].

In February of 1992, Lavalco purchased a new Sanyo/Icon computer. [Testimony of Frank Fraccastoro, Vol. I p. 35 11. 22-24]. Lavalco also purchased a 486 computer. [Testimony of Jim Brown, Vol. I p. 158 11. 12-15]. The software copyrighted by Results could not run on the new computers without modifications. [Testimony of Jim Brown, Vol. I p. 159 11. 4-10]. Between February and March, 1992, Lavalco modified the software for use on its new computers, without the authorization of Results. [Testimony of Jim Brown, Vol. I p. 159 11-18].

The copying and modifying of computer programs is a violation of the copyright protection statute, except in the circumstances presented in §§ 107 through 120, none of which apply here. It is also clear that modifications to a copyrighted program constitute derivative works and qualify for copyright protection. Lavalco infringed the copyrighted material in question not by marketing the derivative or unauthorized works, but rather by producing and using them.

In S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081 (9th Cir. 1989), the modified copies of the copyrighted software were not sold to third parties. Rather, the production and use of the modified software constituted the infringement.

Likewise, in the 1914 case of MacMillan Co. v. King, 223 F. 862 (D.C. Mass. 1914), a teacher was liable for copyright infringement for preparing memoranda based on the copyrighted works, not for resale, but solely for the use of his students.

Lavalco is now using two copies of all eleven modules of the software at issue. [Testimony of Jim Brown, Vol. I pp. 158-159 11. 7-3].

Lavalco purchased only four BOSS programs. The

software purchased from Delta Data included general ledger, accounts receivable, accounts payable and inventory. [Testimony of Arnold Lincove, Vol. I p. 170 ll. 1-3] Dean Anderson testified that Lavalco purchased only these four programs from Delta Data, but has resident on its computers seven other modules. The additional programs were not purchased from Delta Data but were developed by Results. [Testimony of Dean Anderson, Vol. III p. 220-222 ll. 23-25]

The foregoing provides substantial evidence that Lavalco infringed Results' copyrighted software and the district court erred in its ruling to the contrary. Relator is entitled to recover statutory damages and attorney's fees for the post registration infringement.

Conclusion

For all the foregoing reasons, Relator respectfully submits that this Honorable Court should grant the writs, and after due proceedings, remand this matter for new trial with instructions to fix the amount of statutory damages and attorney's fees to be awarded to Relator for post registration infringement, and with further instructions to order the production of the computer programs in question, and a retrial on the issue of pre-registration infringement.

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Appendix

UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF LOUISIANA

SHREVEPORT DIVISION

RESULTS, INC.

versus
LAVALCO, INC.

CIVIL ACTION NO. 91-0639
JUDGE TOM STAGG

MEMORANDUM RULING

Plaintiff, Results, Inc. ("Results"), filed this action on March 28, 1991,, alleging copyright infringement pursuant to 17 U.S.C. SS 101 et sec., misappropriation of trade secrets pursuant to state law, breach of contract and unfair competition. Defendant, Lavalco, Inc. ("Lavalco"), counterclaimed against Results on June 3, 1991, requesting a declaratory judgment that the copyrights obtained by Results are invalid, that Lavalco is co-owner of the programs, and that Lavalco has not infringed any rights of Results or its president, Keith Grill. Lavalco further requested an accounting of its share of the proceeds from the sale or licensing of the programs at issue to third parties and damages for misappropriation of trade secrets and violations of the Lanham Act. Results voluntarily dismissed with prejudice its claims for breach of contract and unfair competition.

In a Report and Recommendation by the magistrate judge, filed May 29, 1992, which was subsequently adopted by this court on September 24, Lavalco's motion for summary judgment was granted to the extent that Results' copyright infringement claim was limited to infringement of only the

original contribution of Results, not the underlying programs; Results' state law trade secrets claim and all its claims for punitive damages were dismissed with prejudice. All remaining claims were tried to the bench from October 26 through October 28, 1992.

This court has jurisdiction pursuant to 28 U.S.C. §§ 1331 and 1338, 15 U.S.C. § 1121 and pendent jurisdiction over Lavalco's state law claims.

A. THE FACTS

Lavalco is in the business of designing, marketing and distributing pipe valves and fittings. In 1981, in the process of computerizing its business, Lavalco acquired from Tri-State Computer Services ("Tri-State") and Delta Data certain hardware and computer software programs with the license to modify these programs for its own use. The computer software programs acquired by Lavalco were the general ledger,, accounts receivable, accounts payable and inventory modules of BOSS software.[1]

The hardware purchased by Lavalco was the "Ultimate System," while the application programs purchased were called "Solutions." The package purchased from Tri-State and Delta Data also included 80 hours of modification and conversion programming time. This would allow Lavalco to adapt the BOSS software to f it its business needs.

In 1981, Keith Grill and Brad Kimbrel[2] were employees

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[1] BOSS is a commercial software package which can be customized to perform specific business tasks. BOSS is designed to operate on the "Pick system." Pick is an operating system or computer language which directly controls the computer hardware and is designed to act as a data base. Further computer programming is then required in order to allow computer operators to perform a specific task. Application programs can be purchased or designed to run on the Pick system; however, for these application programs to apply to a specific need, they often must be customized by a computer programmer. BOSS is an application program.

[2] Keith Grill is currently president of Results and a 50 per cent shareholder. Brad Kimbrell is also a 50 per cent shareholder in Results.

of Delta Data. While at Delta Data, Mr. Grill wrote programs and made modifications or enhancements to BOSS software for Lavalco. He placed copyright notices in the name of Delta Data on all modifications which he made for Lavalco as an employee of Delta Data.

In July of 1982, while still employed by Delta Data, Mr. Grill and Mr. Kimbrell formed Results, Inc. In November 1982, Results and Lavalco entered into an oral agreement whereby Results, rather than Delta Data, would perform computer programming at Lavalco. Three terms were specifically included in that initial agreement:

1. Results would receive $17.50 per hour for programming services;
2. Results would be provided with office space on Lavalco's premises; and
3. Results would receive extra time on Lavalcols computer system to perform programming for other clients.

No other terms were mentioned by the parties.

At the time of the agreement, Arnold Lincove was vice president of finance with Lavalco. The agreement between Lavalco and Results was primarily negotiated by Mr. Lincove, Larry McKinney, and Mr. Grill. The only changes in Mr. Grillfs relationship with Lavalco in November 1982, as an employee of Results rather than Delta Data, were those three terms specifically negotiated: reduced programming charges, office space and Results' extra computer time. Results placed its copyright notice on all modifications made by Results, even modifications to Delta Data programs and BOSS programs.[3] Results routinely placed source code on

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[3]Results' copyright notice, however, was not placed solely upon the modif ication but, in effect, completely replaced the previous copyright notice.

Lavalco's computer as a matter of convenience.[4]

In January 1985, Lavalco hired Patty Bell as a computer programmer. Her duties included in-house programming and documenting the existing system. She wrote a security sub-routine for Lavalco which limited user access to certain programs. Ms. Bell modified at least 41 programs which had Results, copyright notices on them; however, these were only minor modifications, basically user interface changes.[5] Ms. Bell contacted Results prior to making any changes to a program which carried a Results, copyright notice. Ms. Bell left Lavalco in May 1987. Jim Brown was hired in July 1987 to perform the same work previously performed by Ms. Bell. Mr. Grill trained Mr. Brown, in part, how to make modifications to programs. Mr. Brown testified that he made modifications to the programs on Lavalco's computer. He said that he understood that Results and Lavalco had an agreement whereby Results would develop the programs and they would provide him help in performing some of the modifications. Mr. Brown always made a notation on any changes he made on the programs. Sandra Powell, previously an inventory control clerk at Lavalco, was made a programmer a short time after Jim Brown was hired. Ms. Powell testified that Keith Grill told her to incorporate Results' sub-routines in all of her coding to help standardize the program. Ms. Powell was later promoted to senior programmer. Dean Anderson was hired by Lavalco in 1984

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[4] Source code refers to computer programs written in "human-readable computer language." See Plains-Cotton Co-Op Ass,' n of Lubbock Texas v. Goodipasture Computer services Inc.,, 807 F.2d. 1256, 1258 (5th Cir. 1987), cert. denied 108 S. Ct. 80 (1987).

[5] The court notes that user interface in the form of input and output reports would not be copyrightable. See Engineering Dynamics, Inc. v. Structural Software, Inc.,, 785 F. Supp. 576, 582-83 (E.D. La. 1991), citing Plains Cotton Co-Op Ass'n of Lubbock Texas v. Goodpasture Computer Services, Inc.,, 807 F.2d 1256, 1262 (5th Cir. 1987), cert. denied 108 S. Ct. 80 (1987). This point is irrelevant, however, as the parties in this lawsuit have never supplied the court with the programs or the modifications at issue.

as a computer systems manager. He testified that he made minor changes to computer programs with copyright notices, as all the programs had copyright notices, although he could not identify the particular programs.

On January 18, 1984, Results paid Lavalco $1,250 from a sale of computer software to a third party.[6] In 1984, Results relocated from Lavalco's office to its own office in Bossier City. Results continued to provide programming services via modem to Lavalco. On February 1, 1989, Mr. Grill, on behalf of Results, signed a confidentiality agreement, wherein Results agreed to maintain confidentiality of Lavalco's information, including computer programs. In February 1989, Lavalco terminated the telephone connection with Results, effectively ending the parties' relationship. Since the severance of the telephone line, Results' programmers have not had access to the Lavalco computer.

Lavalco has never sold or licensed to third parties any of the computer programs at issue. Results has sold to ESP, a competitor of Lavalco, some programs which were modified for Lavalco. Mr. Grill obtained 11 copyright registration certificates in September and October of 1990. Six of the copyright registrations have effective dates of September 25, 1990; four have effective dates of October 10., 1990; and the final copyright registration has an effective date of October 12, 1990. As of October 1992, Lavalco had approximately 2,000 programs running on its computer. The 11 copyright registration certificates at issue purport to cover 967 computer programs.

B. RESULTS' COPYRIGHT INFRINGEMENT CLAIM

Congress has defined a "computer program" as:

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[6] Lavalco contends that this demonstrates that the parties were co-owners of the programs, as this payment represents Lavalcols share of the proceeds from Results' sale of software developed for Lavalco to a third party.

> a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.

17 USC 101 (1988). This 'set of statements or instructions,' in its literal or written manifestation may be in the form of object code or source code." See Lotus Dev. Corp. v. Palperback Software Int'l, 740 F. Supp. 37, 43 (D. Mass. 1990). An object program, or object code is a program written in machine language that can be executed directly by the computer's CPU (central processing unit) without need for translation and is unique to each kind of CPUSource programs, or source code involve higher level programming. Source code programming is universal to almost all computers; it is, therefore, executed indirectly. The translation of source code into the appropriate object code for execution in a particular type of computer may be accomplished by an "interpreter" programs which translates the application program each time it is run, or a "compiler" program, which translates the program once and for all into machine language. See Id. at 44-45.

Copyright protection may exist for "original works of authorship fixed in any tangible medium of expression." 17 U. S. C. § 102.[7] "Originality, copyrightability, and compliance with the statutory formalities are relevant to determining the enforceability of a copyright." Engineering Dynamics at 581, citing Plains Cotton at 1256, cert. denied 108 S. Ct. 80 (1987). To be protected by copyright law, materials must be marked with a notice of copyright and properly registered with the copyright of f ice. 17 U. S. C. §§ 401 and 410. A certificate of copyright registration is prima facie evidence of the validity of the copyright if the

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[7] "In no case does copyright protection f or an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle or discovery, regardless of the f orm in which it is described, explained, illustrated, or embodied in such work. 17 U.S.C. S 102(b).

registration is made within five years of first publication of the work in question. 17 U.S. C. S 4 10 (c) .

> To prevail on a claim of copyright inf ringement, a plaintiff must prove ownership of the copyright and copying by the alleged infringer.

Miller v. Univers al City Studios, Inc., 650 F.2d 1365, 1375 (5th Cir. 1981). citing Ferguson v. National Broadcasting Co., 584 F.2d 111, 113 (5th Cir. 1978), M. Nimmer, 3 Nimmer on Copyright S 13.01 (1980) . The 11 copyrights at issue in the present case concern both original works and derivative works.[8] These 11 certificates constitute prima facie evidence of the validity of the copyrights. 17 U.S.C. S 410(c)- They do not, however, create an irrebuttable presumption of originality. See Lakedreams., 932 F.2d at 1108 n. 10, citing Durham Industries, Inc. v. Tomy CorT),-, 630 F.2d 905f 908 (2d Cir. 1980). Thus, the initial question is whether or not Lavalco has submitted sufficient evidence to rebut Results' prima facie case of validity of the 11 copyrights.

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[8]At trial, Lavalco objected to the admission of Plaintiff's Exhibits 2 and 11-14. Lavalco claimed that. even though the copyright applications were f iled prior to the date the suit was filed, the registration certificates for these copyrights had not yet been received by the plaintiff at the time suit was filed and. therefore, this court lacked subject matter jurisdiction. This issue was taken under advisement. In Apple Barrel Productions. Inc. v. Beard, 730 F.2d 384, 386-87 (5th Cir. 1984), the Court stated:

> In order to bring suit for copyright infringement, it is not necessary to prove possession of a registration certificate - one need only prove payment of the required fee " deposit of the work in question, and receipt by the copyright office of a registration application. 2 Nimmer on Copyright S 7.16(B)(1).

See also Lakedreams v. Taylor, 932 F.2d 1103, 1108 (5th Cir. 1991). Therefore, Plaintiff's Exhibits 2 and 11-14 are admissible.

Patty Bell testified that she made minor alterations or modifications to programs containing a Results copyright notice. Ms. Bell stated that she always asked Results' permission before making any modifications or alterations to programs containing a Results copyright notice. She testified that she made at least 41 modifications to programs containing Results copyright notices. In late 1986, a security routine, which was added to virtually all of the programs on Lavalco's system, was written by Ms. Bell. She testified that this was not necessarily a modification to a program, merely a re-creation of a sub-routine.

Jim Brown testified that he had an agreement with Mr. Grill whereby when he made an alteration or modification to a program he would make a notation on the program and inform Mr. Grill of the change. Mr. Grill, in exchange, told him about any program changes made by Results. Mr. Brown testified that he made many minor modifications, and that he even made a substantial modification adding a sub-routine for user input validation. Mr. Brown testified that this user input validation sub-routine is used by almost all of the other programs. As an example, Mr. Brown pointed to the program known as "Results.Input," purportedly one of the programs at issue, which previously had no mechanism for identifying erroneous input. Mr. Brown testified that the difference between the original BOSS program and the modifications made by Results which brought about "Results.Input is very minimal. Furthermore, Mr. Brown testified that the "Results.Input" version copyrighted by Results contains the user input validation sub-routine which was written by Mr. Brown. Mr. Brown contends that he called Results and told the company of the change he made, and that Results subsequently modified one line of the sub-routine which he had added. See also Exhibit 5, at lines 154-177; Keith Grill testified that these were unauthorized modifications.

Brad Kimbrell testified that Lavalco only made minor modifications to the computer programs at issue. He testified that the changes made by Mr. Brown in "Results. Input"

were minor. Mr. Grill testified that, when he went to Lavalco in 1982, there were approximately 2,000 programs, on Lavalco's computer. Mr. Grill testified that Results' copyright notice was placed on approximately 900 programs. He testified that, if a substantial modification was made, he placed a copyright notation upon the modification. He further testified that a programmer for Results could have put a copyright notice on even a minor modification because it was a subjective decision, i.e., a judjment call by the programmer as to when placement of a copyright notice was warranted. Mr. Grill admitted that, on occasion, he instructed Lavalco employees to make modifications and that Lavalco employees have modified source code on Lavalco's computers. Mr. Grill testified that when he placed a Results copyright notice on a modification, it completely replaced the previous copyright notice.

In response to a discovery request by Lavalco to ascertain which programs were encompassed by the copyright registration certificates at issue, Keith Grill stated, in a letter dated January 10, 1992:

> I do not believe I kept a list of the program names selected for submission. I believe an attempt at reconstructing that list at this late date would introduce the possibility of error, and tend to imply that only those programs were at issue.

At trial, Results sought to introduce Exhibit 18, which allegedly represents the programs which were registered with the Copyright Office. Exhibit 18 is a computer printout of each module name, copyright notice and a one-line description thereof, along with the last revision date of that particular module/program. Exhibit 18 consists of the very compilation of data which Keith Grill, in a discovery response, stated could not be reconstructed without the possibility of error. The admissibility of Exhibit 18 was taken under advisement at trial; after reviewing the record, the court holds that Results' Exhibit 18 is inadmissible. The contents of this exhibit were requested in discovery by Lavalco, but

not produced by Results; furthermore, Lavalco did not see or even hear of this exhibit until October 27, in the middle of the trial. Results claimed it was included in the joint Pretrial Order, yet could not substantiate this claim.[9]

Lavalco has submitted sufficient evidence to rebut Results, prima facie case of validity of the 11 copyrights at issue. Furthermore, Results never established what the 11 copyright registrations purport to cover, and it appears that even the parties are unclear as to what they actually cover. one crucial question was never answered at trial: What particular modifications were copyrighted and are, thus, the subject of this lawsuit? Results concedes that it has not offered any definitive evidence of actual damages, attributing its lack of evidence of infringement and damages to a prior discovery ruling by this court.[10] Regardless of the fact that

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[9] The court notes that even should Exhibit 18 have been admitted, it would not assist this court in deciding this case, as Exhibit 18 is merely a listing of the names of the programs which are allegedly included in the copyright registrations at issue. Exhibit 18 provides this court with no further quidance as to which programs the copyright registrations actually cover and what their contents are. Results never identified at trial the modifications it claims were copyrighted.

[10] On February 10, 1992, Results filed a motion to compel Lavalco to produce: "All items contained in the Master Dictionary of each user account on Lavalco's computer system along with all basic programs, procs and dictionaries called by or referred to in each of those accounts at or near the time of the modem disconnection at the time of the initiation of this lawsuit, and as they are today, along with copies of magnetic media which contain basic programs, procs or dictionaries which have been removed from the system since modem disconnection." Results stated that it needed these materials "to ascertain the extent of the copyright infringement, and the approximate amount of programming revenue which should have been paid." See Attorney's Affidavit in Support of Motion to Compel. Magistrate Judge Roy S. Payne denied this motion on March 6, 1992, without prejudice to Results' right to re-urge the motion if the motion for summary judgment was denied. The discovery deadline was extended until March 27. No further requests for extension of discovery deadlines were filed. On August 10, 1992, Results orally renewed its motion to compel, and was granted until August 20 to file a supplemental brief. Results failed to file a supplemental brief and, on

it is lacking evidence of infringement and damages, as it did not discover what modifications Lavalco subsequently made to the programs, Results failed to introduce object or source code representing the precise modifications that Results, itself, claims were copyrighted. Therefore, the fact that Results cannot prove infringement is virtually moot, since this court is no more aware today than prior to trial what modifications Results is claiming were copyrighted and infringed. The following hypothetical more clearly illustrates the problem Results has created for the court by not introducing the modifications themselves. If an author copyrighted his book, the copyright registration would reflect only the title of the book, not the words within. To later prove that a third party infringed the author's copyright, the book and its contents must be compared to the alleged infringing work. Producing the title of the book, alone, or even the chapter headings, to which Exhibit 18 could be compared, proves nothing. If the author cannot produce his own book to which he claims a copyright, the fact that he cannot obtain a copy of the alleged infringing book becomes immaterial.

Even if Results had established ownership of any material covered by the copyright registrations, Results could not establish "copying" by Lavalco. "Copying" is shorthand for the infringing of any of the copyright owners' five exclusive rights as set forth in 17 U.S.C. § 106. Results claimed infringement based upon sub-sections 1 and 2 of § 106, i.e.,

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August 27, the magistrate judge denied Resultsf oral motion to compel. On September 2, Results appealed the magistrate judge's August 27 ruling to this court. The magistrate judge's ruling was affirmed on September 24, 1992. Interrogatories were then filed by Results on October 13, 1992, two weeks prior to trial, and defendant declined to respond, as the discovery deadline had passed. Any lack of evidence of infringement or damages is solely due to Results' failure properly to conduct discovery. Results could have taken depositions, propounded written interrogatories or conducted other forms of permitted discovery that were more tailored than its original request for production of copies of all of Lavalco's computer tapes. Instead,, Results took no depositions and waited over five months after discovery was completed to propound interrogatories.

that Lavalco has made unauthorized copies and unauthorized derivative works. "Since direct evidence of copying is often dif ficult to f ind, copying can be shown by proof of both access to the copyrighted material and substantial similarity between the two works." Plains Cotton at 1260, citing Miller, 650 F.2d at 1375; M. Nimmer, 3 Nimmer on Coloyright § 12.11(d) (1985). It is undisputed that Lavalco had access to the "copyrighted" material. Results did not prove, however, that there is substantial similarity between what Results has copyrighted and any work of Lavalco's. First, Results did not establish exactly what it has copyrighted; second, Results failed to establish evidence of infringing works or damages resulting therefrom.

Additionally, should Results have proven ownership and copying by Lavalco, this court finds that any modifications which may have been considered as infringing upon Results, copyrights were made within the scope of Lavalco's license to modify these programs. It is undisputed that Lavalco had the right to modify for its own use the software purchased from Tri-State and Delta Data. Keith Grill testified that he performed the same work at Lavalco as he did as an employee of Delta Data, with the exception being that he was not subject, per se, to the supervision of Delta Data. All evidence supports a finding that the only changes in Keith Grill's working arrangement with Lavalco were those three terms specifically discussed, i.e., that Results would receive $17.50 per hour for programming services; that Results would be provided with office space on Lavalco's premises; and that Results would receive extra time on Lavalco's computer system in order to perform programming f or other clients. All parties agreed that, prior to November 1982 , all work performed by Keith Grill for Delta Data to Lavalco's programs could be modified by Lavalco. Results argues that all work performed after November 1982 by Mr. Grill for Results could not be modified by Lavalco. There is no evidence supporting a change in the scope of Lavalco's license to modify; in fact, all evidence is to the contrary. Mr. Grill testified that he continued to place source code on

Lavalco's computers, that he instructed Lavalco's employees to make minor modifications to the programs and that he was aware that Lavalco employees modified the source code on the programs of Lavalco's system. The court finds that the scope of Lavalco's license included the right to modify for their own use, programs placed or modified by Results on Lavalco's computer.

For these reasons, all claims by Results for copyright infringement, pursuant to 17 U.S.C. §§ 101 et sec. are hereby DISMISSED WITH PREJUDICE.

C. LAVALCO'S COUNTERCLAIMS

Lavalco has counter-claimed against Results for a declaratory judgment that the copyrights obtained by Results are invalid, that Lavalco was co-owner of the programs, and that Lavalco has not infringed any rights of Results.or its president, Keith Grill. Lavalco further requests an accounting of its share of the proceeds from the sale or licensing of the programs at issue to third parties and damages for misappropriation of trade secrets and violations of the Lanham Act.

Lavalco first requests that this court declare that the copyrights obtained by Results are invalid. The 11 copyrights allegedly cover derivative work, i.e., the modifications made by Results, and some original programs created by Results. As neither party has informed this court what the copyrights purport to cover, it would be impossible to ascertain whether these copyrights are actually valid.[11] For the same reasons, this court cannot possibly ascertain whether Lavalco is co-owner of the programs, as the particular programs in which Lavalco claims co-ownership were never specifically identified. This court does find that

---

[11] The court notes that neither party submitted evidence of what Results submitted to the Copyright of f ice or what is on file at the Copyright office regarding the 11 copyright registrations.

Lavalco has not infringed any rights of Results or Keith Grill.

The evidence does not support a finding that Results misappropriated trade secrets under the Louisiana law, pursuant to La. RevStat. 51:1431 et seq. Lavalco has failed to establish that Results acquired trade secrets by improper means, or that Results disclosed any trade secrets of Lavalco's, of which Lavalco had taken reasonable precautions to keep secret. Lavalco also claims that Results marketed Lavalco's software, in violation of the Lanham Act, 15 U.S. C. § 112 5 (A) , which prescribes the use of words tending to describe falsely the source or origin of goods and commerce. See Moore Business Forms, Inc. v. Seidenburcf, 619 F. Supp. 1173, 1184 (W.D. La. 1985). The purpose of the Lanham Act is to prevent unfair competition by enabling producers to differentiate their products from those of others and to protect consumers against deceptive designations of origins or goods. Engineering Dynamics, at 583. Lavalco has failed to prove that Results violated the Lanham Act, as the evidence does not support a finding that Results misrepresented the origin of any software placed into commerce.

For the above-stated reasons, all counter-claims of Lavalco are hereby DISMISSED WITH PREJUDICE.

Defendant is ORDERED to submit a Judgment consistent with the terms of this Memorandum Ruling within ten (10) days of its filing.

DATED AND SIGNED at Shreveport, Louisiana, this__ day of January, 1993.

JUDGE TOM STAGG

UNITED STATES DISTRICT COURT

WESTERN DISTRICT OF LOUISIANA

SHREVEPORT DIVISION

RESULTS, INC.	CIVIL ACTION NO. 91-0639
versus	JUDGE TOM STAGG
LAVALCO, INC.	MAGISTRATE JUDGE PAYNE

JUDGMENT

This matter having been tried to the Court on October 26 through October 28, 1992, for the reasons stated in the Memorandum Ruling filed on January 19, 1993;

IT IS ORDERED, ADJUDGED AND DECREED that there be judgment herein in favor of Lavalco, Inc. and against Results, Inc. rejecting the complaint of Results, Inc. at its cost.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that there be judgment herein in favor of Results, Inc. and against Lavalco, Inc. rejecting the counterclaims of Lavalco, Inc. at its cost.

Thus done and signed at Shreveport, Louisiana, this _____ day of _____, 1993.

_____

JUDGE TOM STAGG

UNITED STATES COURT OF APPEALS

FOR THE FIFTH CIRCUIT

NO. 93-4393

RESULTS, INC.,
Plaintiff-Counter-Defendant
Appellant-Cross-Appellee,

versus

LAVALCO, INC.,
Defendant-Counter-Claimant
Appellee-Cross-Appellant..

Appeals from the United States District Court
for the Western District of Louisiana
(91-CV-639)

Before POLITZ, Chief Judge, JONES, Circuit Judge, and FULLAM*,
District Judge.

Per Curiam:**

This matter is before the court on appeal by RESULTS, Inc., from an adverse judgment after bench trial.

Having considered the briefs, oral arguments of counsel, and pertinent parts of the record, and finding no reversible error, the judgment appealed is

AFFIRMED.

---

*District Judge of the Eastern District of Pennsylvania, sitting by designation.

**Local Rule 47.5 provides: "The publication of opinions that have no precedential value and merely decide particular cases on the basis of well-settled principles of law imposes needless expense on the public and burdens on the legal profession." Pursuant to that Rule, the Court has determined that this opinion should not be published.

(2)

Supreme Court, U.S.
FILED
JUN 28 1994
OFFICE OF THE CLERK

No. 93-1981

In The

Supreme Court of the United States

October Term, 1993

RESULTS, INC.,

Petitioner,

versus

LAVALCO, INC.,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Fifth Circuit

RESPONDENT'S BRIEF IN OPPOSITION TO THE PETITION FOR WRIT OF CERTIORARI

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25 pp

QUESTIONS PRESENTED FOR REVIEW

Respondent submits the real issues for review are:

1. Should this Honorable Court grant a Writ of Certiorari primarily to determine whether the trial court abused its discretion in denying a motion to compel when the trial court's factual findings moot Petitioner's arguments concerning the motion and when those factual findings are not clearly erroneous?

2. Should this Honorable Court grant a Writ of Certiorari to review the trial court's refusal to award any damages to Petitioner when Petitioner utterly failed to establish any liability, when the case presents only factual issues for review, and when none of the considerations relevant to a grant of a Writ of Certiorari is present?

TABLE OF CONTENTS

Page

Questions Presented for Review i

Table of Authorities iii

Citations of Opinions and Judgments Below 1

Introduction 1

A. Relevant Procedural History 2

B. Factual Background 5

C. Summary of the Argument 11

Argument 13

I. This Court Should Not Grant A Writ Of Certiorari In This Case 13

II. The Trial Court's Factual Findings Moot All Issues Concerning Denial Of The Motion To Compel 14

III. Petitioner Was Not Entitled To An Award Of Statutory Damages Because Petitioner Failed To Prove Its Case 17

Conclusion 21

TABLE OF AUTHORITIES

Page

CASES:

Mason v. Montgomery Data, Inc., 741 F.Supp. 1282, 1285 (S.D. Tex. 1990), *subsequent proceedings*, 765 F.Supp. 353 (S.D. Tex. 1991), *reversed on other grounds*, 967 F.2d 135, 142-144 (5th Cir. 1992)...19, 20

Mayo v. Tri-Bell Industries, Inc., 787 F.2d 1007 (5th Cir. 1986) 17

STATUTES AND RULES:

Rule 10, Rules of the Supreme Court of the United States 13

17 U.S.C. § 412(2) 19

CITATIONS OF OPINIONS AND JUDGMENTS BELOW

Petitioner's Appendix includes only the trial court's Memorandum Ruling, the trial court's Judgment, and the Opinion of the Court of Appeals. All references by Respondent herein to those documents will contain a page reference to Petitioner's Appendix. Despite Petitioner's reference to other motions or rulings in its Petition, Petitioner did not include in its Appendix the trial court's rulings concerning: (1) Petitioner's Motion For New Trial; (2) Respondent's Motion For Summary Judgment; and (3) Petitioner's Oral Motion To Renew Motion To Compel.

INTRODUCTION

This is a straight-forward copyright infringement case presenting only factual issues for this Court's review. All of the arguments presented by Petitioner to this Honorable Court already have been presented to and firmly rejected both by the trial court and by the court of appeals. Petitioner seeks review by this Court, not because of any split in the circuits on an issue of national significance and not because of the presentation of an important question of federal law, but rather because Petitioner is dissatisfied with the factual findings of the trial court. Simply stated, there is no reason for this Honorable Court to consider this case only to review the trial judge's factual findings and credibility determinations. The Petition has no merit; it should be denied.

A. RELEVANT PROCEDURAL HISTORY

The trial court essentially held Lavalco ("Respondent") had the contractual right to modify and use the computer software programs developed by Respondent with the assistance of Results ("Petitioner") and Petitioner's predecessor. Respondent had paid Petitioner more than $460,000 for these rights, and the trial court's decision was clearly correct. In a Per Curiam opinion issued after oral argument, the United States Fifth Circuit Court of Appeals affirmed in all respects. Appendix at 16.

Petitioner filed this action *pro se* against Respondent in an attempt to set forth causes of action for copyright infringement, breach of contract, unfair competition and misappropriation of trade secrets. Respondent filed its Answer and Counterclaim seeking a declaratory judgment, an accounting, attorney's fees and damages, and return of certain trade secrets.

At a scheduling conference, the presiding magistrate judge dismissed Petitioner's claims for breach of contract and unfair competition, with prejudice, upon oral motion of Petitioner.

Written discovery was propounded by both parties, but only Respondent noticed any depositions. Petitioner did not depose any representatives, employees or computer programmers of Respondent.

Respondent subsequently filed a motion for partial summary judgment seeking dismissal of Petitioner's claims for punitive damages, misappropriation of trade secrets, and copyright infringement. In response to the motion for summary judgment, Plaintiff filed a motion to

compel, claiming that it needed certain files, programs and tapes to respond to the motion for summary judgment. Petitioner asks this Court to issue a writ of certiorari to review the trial court's denial of the Motion to Compel.

In a prior discovery request propounded to Respondent, Petitioner requested that Respondent produce:

> *All items* contained in the Master Dictionary of each user account on Lavalco's computer system along with *all* basic programs, procs and dictionaries called by or referred to in each of these accounts at or near the time of the modem disconnection, at the time of the initiation of this lawsuit, and as they are today, along with copies of magnetic media which contain basic programs, procs or dictionaries which have been removed from the system since modem disconnection. [Emphasis added.]

Respondent objected to Petitioner's discovery request on the ground that Petitioner clearly was not entitled to the sensitive and confidential trade secrets requested. The magistrate judge agreed with Respondent and held that Respondent "should not be required to reveal its sensitive computer programs until [Petitioner] had shown a need for them." The order permitted Petitioner to specify in its opposition to the motion for summary judgment precisely how the materials might be relevant to the issues presented. Petitioner did not comply. Although it clearly could have done so, Petitioner did not appeal the magistrate judge's order to the district judge.

In his Report and Recommendation, the magistrate judge granted (in part) Respondent's motion for summary judgment. The district judge adopted the Report and Recommendation over Petitioner's objections.

Petitioner's counsel orally re-urged the motion to compel at a subsequent status conference before the same magistrate judge. A briefing schedule was established by the court. However, Petitioner failed to file any additional briefs or written reasons in support of the renewed motion. Because Petitioner failed to file any briefs, the magistrate judge denied the renewed motion. Petitioner appealed *that* order to the district judge, and explained the basis of its claim against Respondent as follows:

> The gravamen of plaintiff's infringement claim is that it has lost the revenue to which it should be entitled from making any alterations to the programs in question. Plaintiff, as owner of the copyright, has the sole right to alter the programs. Defendant's admitted alterations infringe on this right. The ***measure of plaintiff's damages***, is, in large part dependent on the extent to which the programs have been modified, and the profit plaintiff would have realized if it had made the modifications. Plaintiff cannot possibly ***prove its damages*** without having the programs. [Emphasis added.]

Because the order was neither clearly erroneous nor contrary to law, the district judge affirmed. Petitioner prematurely filed a "Notice of Appeal" to the court of appeals. Petitioner's appeal was properly dismissed by that court for lack of jurisdiction.

Prior to trial, Petitioner also moved to bifurcate the trial in order to try the issues of ownership and damages separately. In the motion, Petitioner stated it ***could not prove its damages*** without Respondent's computer tapes. Alternatively, Petitioner moved to continue the trial to conduct additional written discovery. Both requests were properly denied by the district judge.

The district judge rendered his 19 page Memorandum Ruling in which he carefully analyzed the evidence and rejected Petitioner's claims. Petitioner moved the court for a new trial, which was denied by the district judge.

B. FACTUAL BACKGROUND

Respondent purchases and distributes industrial valves and fittings. Its inventory is large and changes frequently, as do its distribution methods and techniques.

In 1981, Respondent purchased from Tri-State Computer and its sister company, Delta Data, certain computer hardware and software programs *with the license or permission to modify the programs for Respondent's own use.* Respondent understood that after paying Delta Data and Petitioner for the programs, it owned the programs with the right to use and modify those programs to meet Respondent's changing needs. In fact, the only restriction placed on Respondent in the purchase documents was that Respondent could not refer to the programs modified by Respondent as a "Solutions" system without prior authorization from Delta Data.

The evidence at trial was overwhelming that all parties anticipated Respondent would continue to modify the programs to meet Respondent's changing needs. Indeed, at trial, Petitioner stipulated to Respondent's right to modify the Solutions programs further. It is also undisputed that in order to make further modifications to the programs, Respondent needed access to the program "source code," which at all times has been located on Respondent's computer. Indeed, Petitioner voluntarily placed the source code for all of the programs modified or written by Petitioner for Respondent on Respondent's computer.

Keith Grill ("Grill") was an independent contractor (and later an employee) of Delta Data when Respondent initially acquired the hardware and software from Tri-State Computer and Delta Data. While at Delta Data, Grill's duties included writing new programs and making modifications or enhancements to BOSS software programs for the use and benefit of Delta Data's clients, including Respondent. Delta Data had previously acquired certain rights to the BOSS software program from its owner. Grill did most of Delta Data's programming work for Respondent. As an independent contractor for and later as an employee of Delta Data, Grill put Delta Data's copyright notices on *all* work and modifications to BOSS performed for Delta Data, indicating copyright ownership in Delta Data. After Petitioner (Results, Inc.) was formed, Grill *deleted* the prior owner's copyright notices on modified programs and completely replaced them with Petitioner's copyright notices.

Brad Kimbrell ("Kimbrell"), also a Delta Data employee and close friend of Grill, and Grill formed

Results, Inc., a Louisiana corporation, on July 26, 1982 while still working as employees of Delta Data. At that time, Petitioner had no real assets. In 1982, Grill and Kimbrell began doing work in a spare office inside Respondent's premises. This was a change in physical location only. At that time, there were approximately 2,000 programs on Respondent's computer. Grill continued to perform the *same work* for Respondent as he had as an independent contractor and later as employee of Delta Data. He continued writing and modifying source code for Respondent as he did at Delta Data, with the only real differences being that Respondent paid Petitioner directly and Grill no longer was subject to the supervision of Delta Data.

During the course of the parties' relationship, the parties agreed upon a convention for noting modifications made to the programs by either Petitioner or Respondent. For example, when Respondent's in-house systems analyst and programmer, Jim Brown, substantially modified RESULTS.INPUT, the program which is the basis of Respondent's entire system and which is incorporated into every other program, he notified Petitioner. When an employee of Petitioner further modified a modification made by an employee of Respondent, Petitioner's employee notified Respondent. Grill (Petitioner) knew *all along* Respondent was modifying the programs. *In fact, Grill told Respondent's employees to modify the software.* He even prepared a training outline and distributed it to two of Respondent's employees, Jim Brown (a programmer employed by Respondent and trained by Grill) and Dean Anderson. Grill never told anyone at Respondent that Respondent could not make

modifications to the software. In fact, Grill never complained about Respondent's modifications until his inflow of cash from Respondent began to decrease.

Although Petitioner did not introduce *any* programs into evidence (obviously hoping to avoid judicial scrutiny concerning its illegal modifications to BOSS), Respondent did introduce into evidence several programs, both to demonstrate Respondent's contributions and to show the Court some of Petitioner's trivial modifications to BOSS which resulted in Petitioner's present claim of copyright infringement. *Amazingly, Petitioner never sought to introduce its modifications (or programs) into evidence or otherwise identify them for the Court.*

Just as Grill left Delta Data with expectations of becoming self-sufficient and independent, Respondent also had expectations of self-sufficiency and independence. In fact, Grill knew that Respondent was trying to become self-sufficient with its computer programs and system. Also, Grill was well aware that Respondent had programmers on staff who were working on these programs. Petitioner's expectations of independence were met with the receipt by Petitioner of almost half a million of Respondent's dollars; Respondent's expectations were met with this lawsuit.

The only written agreement between the parties was signed by Petitioner on February 1, 1989. That agreement, which is entitled "Confidentiality Agreement," was required by Respondent from Petitioner before allowing Petitioner to perform additional work. The agreement

defines Respondent's proprietary and confidential information as, among other things, Respondent's *computer programs* and data.

The parties did, however, have an oral agreement concerning the sharing of revenues from the sale to non-competitors of Respondent of certain Respondent programs written or modified with Petitioner's assistance. Certain software, including the package known as EMA (which was copyrighted by Petitioner) would be excluded from joint ownership and could not be sold by Petitioner to anyone. Respondent had veto rights over sales of the rest.

Consistent with Respondent's understanding, on January 18, 1984 Petitioner paid $1,250.00 to Respondent for Respondent's share of the proceeds from the sale of certain programs to a third party.

In 1984, Petitioner finally moved from Respondent's premises to an office in nearby Bossier City, Louisiana. Again, this was a change in location only. Grill (Petitioner) still performed the same function. Respondent still was Petitioner's major client. At that point, Petitioner had to access Respondent's computer by modem. Later, Respondent required Petitioner to telephone Respondent and request access to Respondent's computer by modem. *Id.* Finally, Respondent permanently disconnected the modem. That required Petitioner to bring physically to Respondent a magnetic tape containing Petitioner's changes (and source code). *Id.* Of course, Petitioner was paid well by Respondent for this work.

The turning point in the parties' relationship was the hiring by Respondent of Dean Anderson ("Anderson") in

June 1984. Anderson's initial title was "computer systems manager."

Shortly after arriving at Respondent, Anderson implemented the new MIS service request procedure. The purpose of the procedure was to prioritize user requests for modifications in an effort to control programming expenses. Petitioner was notified on August 28, 1984 to check with Anderson before any work expected to exceed four hours was performed. Grill interpreted the new procedure as a limit on the number of hours of work that Petitioner would receive from Respondent. This later would prompt Grill to increase the rates charged Respondent. However, according to Grill, Respondent would continue to receive a discounted rate because of the "special relationship" between Petitioner and Respondent.

The animosity grew when Anderson noted the mysterious appearance of Respondent's customer list on April 12, 1985 on an old printer at Respondent. In a telephone conversation that day concerning the list, Grill accused Anderson of making a "personal affront" to Grill and approaching the problem with a "bad attitude." According to a transcript of the call, Grill stated:

> All I was trying to do was to get something out of the way ahead of time so that when I go to Mr. Yago I can have it in my hand and say – this list that we have talked about before we are going down with you, we want to go down with it and see who is considered a *competitor* that we are not supposed to be talking to about *your software*. Something I do not have to do legally.

* * *

> We have a *gentleman's agreement* between us and that is what I am going on. Strictly *verbal contract* between me and him about how *his software* is going to be handled, who we are going to sell it to and what – there is nothing that stops me from putting in the . . . *Supply House Times* last week except my integrity and my *agreement* with Mr. Yago that I am not going to do such a thing without discussing it with him first. [Emphasis added.]

As late as May 4, 1987, Grill still thought it was necessary to seek advice and permission from Mr. Yago, Respondent's president, before completing an advertising mailer for some of the software.

In a letter to Mr. Yago dated March 4, 1989 but not mailed until March 8, 1991, Grill stated:

> As you know, Frank [Fraccastoro] and I have discussed and *agreed* on certain programs including but not limited to those regarding EMA purchasing, Lavalco's purchasing category groupings and the SPA report, which Results, Inc. will protect as confidential . . . . [Emphasis added.]

Ironically, even though Petitioner admits the existence of the oral agreement concerning EMA, Grill copyrighted it and sued Respondent for alleged infringement.

C. SUMMARY OF THE ARGUMENT

Issue 1

None of the considerations which govern this Honorable Court's review of cases on writs of certiorari is present. Simply stated, there are no special and important

reasons for granting the writ and reviewing this case. Petitioner has cited no conflict in the circuits, nor has Petitioner pointed to any unsettled issue of federal law or interpretation of such law which would justify review by this Court. Rather, it is clear that Petitioner filed this writ solely to gain another review of the trial court's factual findings by yet another federal court.

Issue 2

The trial court did not abuse its discretion in denying Petitioner's motion to compel. Petitioner never showed good cause for the Court to order production of all of the confidential programs and items on Respondent's computer. Also, Petitioner's total failure to introduce its programs (or modifications) into evidence made Respondent's post-relationship modifications totally irrelevant. In its motion to compel, Petitioner argued that the information sought was necessary to prove its damages. Its present theory, that a "line-by-line comparison" was necessary to establish copyright infringement, was never presented to the trial court in support of the motion to compel.

Issue 3

Petitioner is not entitled to statutory damages and attorney's fees. The trial court properly found that Respondent had the right or license to modify the programs further. The trial court's factual findings on this point are not clearly erroneous. In any event, Petitioner

did not prove that any program was modified by Respondent for the first time after Petitioner received its copyright certificates. Statutory damages and attorney's fees, therefore, are unavailable.

ARGUMENT

I. This Court Should Not Grant A Writ Of Certiorari In This Case

Rule 10 of the Rules of the Supreme Court of the United States provides in part that a "petition for writ of certiorari will be granted only when there are special and important reasons therefor." Rule 10 further indicates that the character of reasons that will be considered by the court in evaluating a petition for writ of certiorari are:

> (a) When a United States court of appeals has rendered a decision in conflict with a decision of another United States court of appeals on the same matter; or has decided a federal question in a way in conflict with a state court of last resort; or has so far departed from the accepted or usual course of judicial proceedings, or sanctioned such a departure by a lower court, as to call for an exercise of this Court's power of supervision.
>
> (b) When a state court of last resort has decided a federal question in a way that conflicts with the decision of another state court of last resort or of a United States court of appeals.

(c) When a state court or a United States court of appeals has decided an important question of federal law which has not been, but should be, settled by this Court, or has decided a federal question in a way that conflicts with applicable decisions of this Court.

None of the above considerations is present in this case. Petitioner's Motion to Compel already has been reviewed by the magistrate judge, the district judge, and three judges of the court of appeals. There is no unique, novel or unsettled issue of law presented. There is no conflict in the circuits. Petitioner simply lost its case. Its motion for new trial was denied. The court of appeals later affirmed. The sole purpose of this Writ of Certiorari is to attempt to gain another review of the facts by another federal court. In other words, review by this Court of this case would be an unfortunate waste of this Court's time.

II. The Trial Court's Factual Findings Moot All Issues Concerning Denial Of The Motion To Compel

The trial court did not abuse its discretion in denying Petitioner's Motion to Compel. In a futile attempt to paint a negative image of Respondent, Petitioner argues that Petitioner produced the items sought by Respondent when Petitioner's president was deposed. Petition at 12. Petitioner's Brief further states that among the items produced was a tape of the programs in question in their current form.

Petitioner made this same misstatement to the district court and to the court of appeals. Both times, Lavalco had to set the record straight. Petitioner did *not* produce the programs sought by Lavalco when Petitioner's president was deposed. In discovery, Lavalco requested copies of all computer programs, subprograms, subroutines and computer tapes which were made, updated, or modified in any way during or after the time in which Petitioner performed work for Respondent. At the deposition of Petitioner's president, its counsel of record stated:

> MR. ALLISON: We just want a minute here to be sure that I'm not misleading you. Yes. With respect to Number 15. . . . *It is [Petitioner's] position that any work done after the relationship with [Respondent] terminated would not be produced.* That was work that has not been paid for and if we produce it now then that gives you, or your client, the access to my client's work that he hasn't been paid for. And so, with the exception of anything that's been modified or changed in any way after the time which he had a relationship with [Respondent], we have produced everything in there. That is it. Everything else, we have. [Emphasis added.]

It should be clear, therefore, that Petitioner *refused* to produce to Respondent the same materials it later sought in the Motion to Compel.

Petitioner also contends that "[s]ince the computer programs in question are at the heart of this litigation, they most certainly cannot fail the test of relevance." Petition at 11. Again, Petitioner misses the point. Unless

or until Petitioner introduced "his" (unidentified) modifications into evidence (which he did not), Respondent's present programs were irrelevant. Yet, Petitioner states:

> There was simply no way to prove (or disprove, for that matter) copyright infringement without a line by line comparison of the original programs and those then in use by [Respondent].

Petition at 14. It should seem obvious, even to Petitioner, that such a comparison was impossible **considering no attempt was made by Petitioner to introduce "his" programs (modifications) into evidence or identify them for the trial court.**

Petitioner's motion to compel did *not* assert that Petitioner needed Respondent's programs for a "line by line comparison" in order to prove copyright infringement; that new theory was asserted only *during* trial. In fact, in its Motion To Continue Or In The Alternative, To Bifurcate (filed on the eve of trial), Petitioner stated:

> 4.
>
> Petitioner has sought production of the programs in their present form, to enable it to ascertain the extent of the modifications and the dates the modifications were made, *in order to determine the amount of damages it has suffered as a result of Defendant's infringement*. [Emphasis added.]
>
> 5.
>
> Without the programs themselves, Petitioner must serve interrogatories on Defendant

to determine the extent of the damages. [Emphasis added.]

In any event, because of the District Court's ruling that Respondent has the right or license to modify further the programs on its computer and, therefore, Respondent has not committed copyright infringement, Petitioner's inability to prove damages is of no moment. Both the magistrate judge and the district judge considered the arguments of Petitioner and, after careful consideration, rejected them. Accordingly, there is nothing arbitrary or clearly unreasonable about the denial of Petitioner's motion to compel. *Mayo v. Tri-Bell Industries, Inc.*, 787 F.2d 1007, 1012 (5th Cir. 1986) ("Control of discovery is committed to the sound discretion of the trial court and its discovery rulings will be reversed only where they are arbitrary or clearly unreasonable.").

III. Petitioner Was Not Entitled To An Award Of Statutory Damages Because Petitioner Failed To Prove Its Case

Petitioner's statement in its Petition that Respondent admitted to copyright infringement at trial is a gross misstatement of the facts. Petition at i (Issue 2). Respondent did not admit infringement, nor did Petitioner prove infringement.

Because Grill failed to establish what modifications he made to BOSS (the original program package) and what original source code he authored, he necessarily could not prove infringement by Respondent. While it is true that Respondent has modified the programs on its

computer, that fact alone is not proof of copyright infringement.

Petitioner never could identify for the trial court which programs allegedly authored or modified by Petitioner were submitted for registration to the United States copyright office. In response to a discovery request by Lavalco to ascertain which programs were encompassed by the copyright registration certificates at issue, Petitioner's president (Grill) stated, in a letter dated January 10, 1992:

> I do not believe I kept a list of the program names selected for submission. I believe an attempt at reconstructing that list at this late date would introduce the possibility of error and tend to imply that only those programs were at issue.

Appendix at 9. Petitioner never even attempted to introduce the programs or Petitioner's modifications to the programs into evidence. (Apparently, Grill believed he merely could introduce copyright registration certificates, then move on to the damages portion of his case.) In fact, at trial, Petitioner sought to introduce an exhibit (Exhibit 18), which allegedly represented the *names* of the programs which were registered with the copyright office. Because Exhibit 18 consisted of the very compilation of data which Petitioner's president, in discovery response, stated could not be reconstructed without the possibility of error, the trial court determined that the exhibit was not admissible.

The district court further noted in its opinion that even if Exhibit 18 had been admitted, it would *not* assist that court in deciding the case, because the exhibit merely

was a listing of the *names* of the programs allegedly included in the copyright registrations. The exhibit provided the trial court with no guidance as to which programs the copyright registrations actually covered and what their contents were. Petitioner never identified at trial the modifications it claimed were copyrighted, and therefore, at issue in the lawsuit. Appendix at 10, fn.9.

Thus, the key question Petitioner never answered at trial was: "What particular modifications were copyrighted (by Petitioner) and are, thus, the subject of this lawsuit?" Appendix at 10. Even in its Petition to this Court, Petitioner still has failed to offer any excuse for its complete and total failure to introduce the object or source code representing the original modifications Petitioner claims were copyrighted.

More importantly, § 412(2) of the Copyright Act provides that neither statutory damages nor attorney's fees are available for any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless its registration is made within three months after the first publication of the work. *Mason v. Montgomery Data, Inc.*, 741 F.Supp. 1282, 1285 (S.D. Tex. 1990), *subsequent proceedings*, 765 F.Supp. 353 (S.D. Tex. 1991), *reversed on other grounds*, 967 F.2d 135, 142-144 (5th Cir. 1992). However, as in this case, where a work is not registered until *after* the alleged infringement, the copyright holder is not eligible for statutory damages or attorney's fees and is limited to actual damages and profits under § 504(b). Furthermore, where the alleged infringing activity commences prior to registration of a copyright, the copyright claimant may not

claim statutory damages for continued post-registration activity. *Mason*, 967 F.2d at 144.

Notwithstanding Petitioner's inexplicable failure to introduce into evidence the original source code which Petitioner claims it copyrighted, Petitioner's copyright infringement claim fails for yet an additional reason. The district court found that any modifications which may have been made by Lavalco were "made within the scope of Lavalco's license to modify these programs." Appendix at 12. The district court found, as a matter of fact, that "[Respondent's] license included the right to modify for [its] own use, programs placed or modified by [Petitioner] on [Respondent's] computer." Appendix at 13.

CONCLUSION

There is no conflict among the circuits, and there is absolutely nothing whatsoever in the instant Petition which requires this Court's attention. The district court ruled in Respondent's favor based upon its determination of the facts. The Fifth Circuit found no error and, therefore, affirmed. Nothing new is presented here. The Petition is devoid of merit, and it should be denied.

Dated this 28th day of June, 1994.

Respectfully submitted,

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